

103^D CONGRESS
1ST SESSION

H. R. 912

To amend the Internal Revenue Code of 1986 to repeal the limitation on passive activity losses and credits, provide an accelerated depreciation schedule for real estate, restore the investment tax credit, allow a deduction for certain capital gains, restore and increase the deduction for health insurance costs of self-employed individuals, restore income averaging, and reduce social security taxes and remove the ceiling on wages subject to such taxes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 1993

Mr. PETERSON of Minnesota introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to repeal the limitation on passive activity losses and credits, provide an accelerated depreciation schedule for real estate, restore the investment tax credit, allow a deduction for certain capital gains, restore and increase the deduction for health insurance costs of self-employed individuals, restore income averaging, and reduce social security taxes and remove the ceiling on wages subject to such taxes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Economic Stimulus Tax Act of 1993”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 **SEC. 2. REPEAL OF LIMITATION ON PASSIVE ACTIVITY**
11 **LOSSES AND CREDITS.**

12 (a) IN GENERAL.—Section 469 (relating to passive
13 activity losses and credits limited) is hereby repealed.

14 (b) CONFORMING AMENDMENT.—The table of sec-
15 tions for subpart C of part II of subchapter E of chapter
16 1 is amended by striking the item relating to section 469.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 1993.

20 **SEC. 3. ACCELERATED DEPRECIATION SCHEDULE FOR**
21 **REAL ESTATE.**

22 (a) IN GENERAL.—Paragraph (1) of section 168(c)
23 (relating to applicable recovery period) is amended by
24 striking the items relating to residential rental property
25 and nonresidential real property and inserting the follow-
26 ing:

“Residential rental property	15 years
Nonresidential real property	18 years”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to property placed in service after
3 December 31, 1993.

4 **SEC. 4. RESTORATION OF 10-PERCENT INVESTMENT TAX**
5 **CREDIT.**

6 (a) ALLOWANCE OF CREDIT.—Section 46 (relating to
7 amount of investment credit) is amended by striking
8 “and” at the end of paragraph (2), by striking the period
9 at the end of paragraph (3) and inserting “, and”, and
10 by adding at the end thereof the following new paragraph:

11 “(4) the general investment credit.”

12 (b) AMOUNT OF CREDIT.—Section 48 is amended by
13 adding at the end thereof the following new subsection:

14 “(c) GENERAL INVESTMENT CREDIT.—

15 “(1) IN GENERAL.—For purposes of section 46,
16 the general investment credit for any taxable year is
17 an amount equal to 10 percent of the qualified in-
18 vestment for such taxable year.

19 “(2) QUALIFIED INVESTMENT.—

20 “(A) IN GENERAL.—For purposes of para-
21 graph (1), the qualified investment for any tax-
22 able year is the aggregate of—

23 “(i) the applicable percentage of the
24 basis of each new section 38 property

1 placed in service by the taxpayer during
2 such taxable year, plus

3 “(ii) the applicable percentage of the
4 cost of each used section 38 property
5 placed in service by the taxpayer during
6 such taxable year.

7 “(B) APPLICABLE PERCENTAGE.—For
8 purposes of subparagraph (A), the applicable
9 percentage for any property shall be determined
10 under paragraphs (2) and (7) of section 46(c)
11 (as in effect on the day before the date of the
12 enactment of the Revenue Reconciliation Act of
13 1990).

14 “(C) CERTAIN RULES MADE APPLICA-
15 BLE.—The provisions of subsections (b) and (c)
16 of section 48 (as in effect on the day before the
17 date of the enactment of the Revenue Reconcili-
18 ation Act of 1990) shall apply for purposes of
19 this paragraph.

20 “(3) SECTION 38 PROPERTY.—For purposes of
21 this subsection, the term ‘section 38 property’
22 means—

23 “(A) tangible personal property (other
24 than an air conditioning or heating unit), or

1 “(B) other tangible property (not including
2 a building and its structural components) but
3 only if such property—

4 “(i) is used as an integral part of
5 manufacturing, production, or extraction
6 or of furnishing transportation, commu-
7 nications, electrical energy, gas, water, or
8 sewage disposal services, or

9 “(ii) constitutes a research facility
10 used in connection with any of the activi-
11 ties referred to in clause (i), or

12 “(iii) constitutes a facility used in
13 connection with any of the activities re-
14 ferred to in clause (i) for the bulk storage
15 of fungible commodities (including com-
16 modities in a liquid or gaseous state), or

17 “(C) elevators and escalators, but only if—

18 “(i) the construction, reconstruction,
19 or erection of the elevator or escalator is
20 completed by the taxpayer, or

21 “(ii) the original use of such elevator
22 or escalator commences with the taxpayer,
23 or

24 “(D) single purpose agricultural or horti-
25 cultural structures; or

1 “(E) a storage facility (not including a
2 building and its structural components) used in
3 connection with the distribution of petroleum or
4 any primary product of petroleum.

5 Such term includes only property to which section
6 168 applies without regard to any useful life and
7 any other property with respect to which deprecia-
8 tion (or amortization in lieu of depreciation) is al-
9 lowable and having a useful life (determined as of
10 the time such property is placed in service) of 3
11 years or more.

12 “(4) COORDINATION WITH OTHER CREDITS.—
13 This subsection shall not apply to any property to
14 which the energy credit or rehabilitation credit
15 would apply unless the taxpayer elects to waive the
16 application of such credits to such property.

17 “(5) CERTAIN PROGRESS EXPENDITURE RULES
18 MADE APPLICABLE.—Rules similar to rules of sub-
19 section (c)(4) and (d) of section 46 (as in effect on
20 the day before the date of the enactment of the Rev-
21 enue Reconciliation Act of 1990) shall apply for pur-
22 poses of this subsection.”

23 (c) TECHNICAL AMENDMENTS.—

24 (1) Subparagraph (C) of section 49(a)(1) is
25 amended by striking “and” at the end of clause (ii),

1 by striking the period at the end of clause (iii) and
2 inserting “, and”, and by adding at the end thereof
3 the following new clause:

4 “(iv) the basis of any new section 38
5 property and the cost of any used section
6 38 property.”

7 (2) Subparagraph (E) of section 50(a)(2) is
8 amended by inserting “or 48(c)(5)” before the pe-
9 riod at the end thereof.

10 (3) Paragraph (5) of section 50(a) is amended
11 by adding at the end thereof the following new sub-
12 paragraph:

13 “(D) SPECIAL RULES FOR CERTAIN PROP-
14 ERTY.—In the case of any section 38 property
15 which is 3-year property (within the meaning of
16 section 168(e))—

17 “(i) the percentage set forth in clause
18 (ii) of the table contained in paragraph
19 (1)(B) shall be 66 percent,

20 “(ii) the percentage set forth in clause
21 (iii) of such table shall be 33 percent, and

22 “(iii) clauses (iv) and (v) of such table
23 shall not apply.”

24 (4)(A) The section heading for section 48 is
25 amended to read as follows:

1 **“SEC. 48. OTHER CREDITS.”**

2 (B) The table of sections for subpart E of part
3 IV of subchapter A of chapter 1 is amended by
4 striking the item relating to section 48 and inserting
5 the following:

“Sec. 48. Other credits.”

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to periods after the date of the
8 enactment of this Act under rules similar to the rules of
9 section 48(m) of the Internal Revenue Code of 1986 (as
10 in effect on the day before the date of the enactment of
11 the Revenue Reconciliation Act of 1990).

12 **SEC. 5. 50 PERCENT DEDUCTION FOR CERTAIN CAPITAL**
13 **GAINS.**

14 (a) TAXPAYERS OTHER THAN CORPORATIONS.—
15 Part I of subchapter P of chapter 1 (relating to treatment
16 of capital gains) is amended by adding at the end the fol-
17 lowing new section:

18 **“SEC. 1202. DEDUCTION FOR CERTAIN CAPITAL GAINS.**

19 “(a) GENERAL RULE.—If for any taxable year a tax-
20 payer other than a corporation has a qualified net capital
21 gain, there shall be allowed as a deduction from gross in-
22 come an amount equal to 50 percent of the qualified net
23 capital gain.

24 “(b) QUALIFIED NET CAPITAL GAIN.—For purposes
25 of this section—

1 “(1) IN GENERAL.—The term ‘qualified net
2 capital gain’ means the lesser of—

3 “(A) the net capital gain for the taxable
4 year, or

5 “(B) the net capital gain for the taxable
6 year determined by taking into account only
7 gain or loss from qualified assets.

8 “(2) QUALIFIED ASSETS.—The term ‘qualified
9 asset’ means any property with a holding period of
10 at least 1 year at the time of disposition, other
11 than—

12 “(A) stock or securities for which there is
13 a market on an established securities market or
14 otherwise, and

15 “(B) property (other than stock or securi-
16 ties) of a kind regularly traded on an estab-
17 lished market.

18 “(c) ESTATES AND TRUSTS.—In the case of an estate
19 or trust, the deduction under subsection (a) shall be com-
20 puted by excluding the portion (if any) of the gains for
21 the taxable year from sales or exchanges of capital assets
22 which, under section 652 and 662 (relating to inclusions
23 of amounts in gross income of beneficiaries of trusts), is
24 includible by the income beneficiaries as gain derived from
25 the sale or exchange of capital assets.”

1 (b) CORPORATIONS.—Section 1201 (relating to alter-
2 native tax for corporations) is amended by redesignating
3 subsection (b) as subsection (c) and by inserting after sub-
4 section (a) the following new subsection:

5 “(b) DEDUCTION FOR CERTAIN CAPITAL GAINS.—

6 “(1) IN GENERAL.—If for any taxable year a
7 corporation has a qualified net capital gain, there
8 shall be allowed as a deduction from gross income
9 an amount equal to 50 percent of the qualified net
10 capital gain.

11 “(2) QUALIFIED NET CAPITAL GAIN.—For pur-
12 poses of this subsection, the term ‘qualified net cap-
13 ital gain’ has the meaning given such term in section
14 1202(b).”

15 (c) CONFORMING AMENDMENTS.—

16 (1)(A) Subsection (h) of section 1 is amended
17 by inserting after “net capital gain” each place it
18 appears the following: “(other than qualified net
19 capital gain (within the meaning of section
20 1202(b)))”.

21 (B) Subsection (a) of section 1201 is amended
22 by inserting after “net capital gain” each place it
23 appears the following: “(other than qualified net
24 capital gain (within the meaning of section
25 1202(b)))”.

1 (2) Subsection (a) of section 62 is amended by
 2 adding at the end the following new paragraph:

3 “(15) QUALIFIED NET CAPITAL GAINS.—The
 4 deduction allowed by section 1202.”

5 (3)(A) The heading for section 1201 is amend-
 6 ed to read as follows:

7 **“SEC. 1201. ALTERNATIVE TAX FOR CORPORATIONS; DE-**
 8 **DUCTION FOR CERTAIN CAPITAL GAINS.”**

9 (B) The item relating to section 1201 in the
 10 table of sections for part I of subchapter P of chap-
 11 ter 1 is amended to read as follows:

“Sec. 1201. Alternative tax for corporations; deduction for cer-
 tain capital gains.”

12 (4) The table of sections for part I of sub-
 13 chapter P of chapter 1 is amended by adding at the
 14 end the following new item:

“Sec. 1202. Deduction for certain capital gains.”

15 (d) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to sales and exchanges after the
 17 date of the enactment of this Act.

18 **SEC. 6. INCREASE IN DEDUCTIBLE HEALTH INSURANCE**
 19 **COSTS FOR SELF-EMPLOYED INDIVIDUALS.**

20 (a) DEDUCTION MADE PERMANENT.—

21 (1) IN GENERAL.—Subsection (l) of section 162
 22 (relating to special rules for health insurance costs

1 of self-employed individuals) is amended by striking
2 paragraph (6).

3 (2) CONFORMING AMENDMENT.—Subsection (a)
4 of section 110 of the Tax Extension Act of 1991 is
5 amended by striking paragraph (2).

6 (3) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to taxable years begin-
8 ning after December 31, 1991.

9 (b) DEDUCTION INCREASED TO 100 PERCENT.—

10 (1) IN GENERAL.—Paragraph (1) of section
11 162(l) is amended by striking “25 percent” and in-
12 serting “100 percent”.

13 (2) EFFECTIVE DATE.—The amendment made
14 by paragraph (1) shall apply to taxable years begin-
15 ning after December 31, 1992.

16 **SEC. 7. RESTORATION OF INCOME AVERAGING.**

17 (a) IN GENERAL.—Section 141 of the Tax Reform
18 Act of 1986 (and the amendments made by such section)
19 are hereby repealed, and the Internal Revenue Code of
20 1986 shall be applied and administered as if such section
21 (and amendments) had not been enacted.

22 (b) EFFECTIVE DATE.—The repeal made by this sec-
23 tion shall apply to taxable years beginning after Decem-
24 ber 31, 1993.

1 **SEC. 8. MODIFICATIONS IN SOCIAL SECURITY TAXES.**

2 (a) REMOVAL OF CEILING ON WAGES SUBJECT TO
3 TAX.—

4 (1) FICA TAXES.—

5 (A) Section 3121(a) (defining wages) is
6 amended by striking paragraph (1).

7 (B) Section 3121 is amended by striking
8 subsection (x) (relating to applicable contribu-
9 tion base).

10 (2) SECA TAX.—

11 (A) Section 1402(b) (defining self-employ-
12 ment income) is amended—

13 (i) in the 1st sentence, by striking
14 paragraph (1), and

15 (ii) by striking the 2d sentence.

16 (B) Section 1402 is amended by striking
17 subsection (k) (relating to applicable contribu-
18 tion base).

19 (b) REDUCTION IN SOCIAL SECURITY TAXES.—

20 (1) EMPLOYEE TAX.—Subsection (a) of section
21 3101 (relating to rate of tax on employees) is
22 amended to read as follows:

23 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
24 ANCE.—In addition to other taxes, there is hereby imposed
25 on the income of every individual a tax equal to 4.55 per-
26 cent of the wages (as defined in section 3121(a)) received

1 by the individual with respect to employment (as defined
2 in section 3121(b)).”

3 (2) EMPLOYER TAX.—Subsection (a) of section
4 3111 (relating to rate of tax on employers) is
5 amended to read as follows:

6 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
7 ANCE.—In addition to other taxes, there is hereby imposed
8 on every employer an excise tax equal to 4.55 percent of
9 the wages (as defined in section 3121(a)) paid by the em-
10 ployer with respect to employment (as defined in section
11 3121(b)).”

12 (3) SELF-EMPLOYMENT TAX.—Subsection (a)
13 of section 1401 (relating to rate of tax on self-em-
14 ployment income) is amended to read as follows:

15 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
16 ANCE.—In addition to other taxes, there is hereby imposed
17 for each taxable year, on the self-employment income of
18 every individual, a tax equal to 6.82 percent of the amount
19 of the self-employment income for the taxable year.”

20 (c) CONFORMING AMENDMENTS.—

21 (1)(A) Paragraphs (2) and (3) of section
22 3121(i) (relating to computation of wages in certain
23 cases) are each amended by striking “, subject to
24 the provisions of subsection (a)(1) of this section,”.

1 (B) Paragraph (4) of section 3121(i) is amend-
2 ed by striking “, subject to the provisions of sub-
3 section (a)(1),”.

4 (C) Section 3121(s) (relating to concurrent em-
5 ployment by 2 or more employers) is amended by
6 striking “3102, 3111, and 3121(a)(1)” and insert-
7 ing “3102 and 3111”.

8 (2) Section 3122 (relating to Federal service) is
9 amended by striking the 3d sentence.

10 (3) Subsections (a), (b), (c), and (d) of section
11 3125 (relating to returns in the case of govern-
12 mental employees in the States, Guam, American
13 Samoa, and the District of Columbia) are each
14 amended by striking the last sentence.

15 (4)(A) Clause (i) of section 3231(e)(2)(A) is
16 amended by striking “The” and inserting “In the
17 case of the taxes imposed by sections 3201(b),
18 3211(a)(2), and 3221(b), the”.

19 (B) Subparagraph (B) of section 3231(e)(2) is
20 amended to read as follows:

21 “(B) APPLICABLE BASE.—For purposes of
22 subparagraph (A), the term ‘applicable base’
23 means for any calendar year the contribution
24 and benefit base determined under section 230
25 of the Social Security Act for such calendar

1 year; except that, for such purposes and for
2 purposes of computing average monthly com-
3 pensation under section 3(j) of the Railroad Re-
4 tirement Act of 1974 (except with respect to
5 annuity amounts determined under subsection
6 (a) or (f)(3) of section 3 of such Act), clause
7 (2) of the first sentence, and the second sen-
8 tence, of section 230(c) of the Social Security
9 Act shall be disregarded.”

10 (C) Subparagraph (C) of section 3231(e)(2)
11 (defining compensation for purposes of railroad re-
12 tirement tax) is amended by inserting after “employ-
13 ers)” the following: “, as such section was in effect
14 immediately before its repeal by the Farm and Small
15 Business Tax Equity Act of 1993,”.

16 (D) The heading of paragraph (2) of section
17 3231(e) is amended by striking “BASES” and insert-
18 ing “BASE TO TIER 2 TAXES”.

19 (5) Section 6413 is amended by striking sub-
20 section (c) (relating to special refunds for employees
21 receiving wages from more than 1 employer).

22 (6) Section 230(c) of the Social Security Act
23 (42 U.S.C. 430(c)) is amended by striking “and sec-
24 tions 1402, 3121, 3122, 3125, 6413, and 6654 of
25 the Internal Revenue Code of 1954”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to remuneration paid
3 after December 31, 1993, and with respect to earnings
4 from self-employment attributable to taxable years begin-
5 ning after such date.

○

HR 912 IH—2